Philadelphia Rapid Transit Company

Rapid transit handbook

Philadelphia

1922

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RAPID TRANSIT HANDBOOK

FARES—RENTALS—TAXATION

BENEFITED PROPERTY ASSESSMENTS

MEN AND MANAGEMENT

RESPECTFULLY ADDRESSED TO

MAYOR OF PHILADELPHIA
MEMBERS OF CITY COUNCIL
PUBLIC SERVICE COMMISSION
JOINT TRANSIT COMMITTEE
P. R. T. STOCKHOLDERS
AND
INTERESTED CITIZENS GENERALLY

BY

T. E. MITTEN

PRT

PHILADELPHIA
MAY, 1922

COMPARATIVE RESULTS

SHOWING, IN THE CASE OF PHILADELPHIA AND CHICAGO, DECREASED TRAFFIC FOLLOWING INCREASED FARE, AS COMPARED TO WELL SUSTAINED ANNUAL INCREASE IN PASSENGERS CARRIED AT BROOKLYN AND NEW YORK WITH FARES UNCHANGED

TOTAL PASSENGERS CARRIED

PHILADELPHIA (Fare Increased in 1920)		BROOKLYN (Base Fare Unchanged)
670 000 000	.......1916.......	765 000 000
910 000 000	.......1920.......	855 000 000
835 000 000	.......1921.......	920 000 000
Increase....36%	..1920 over 1916..	Increase....12%
Decrease....8%	..1921 " 1920..	Increase.....8%

CHICAGO (Fare Increased in 1920)		NEW YORK (Base Fare Unchanged)
1 390 000 000	.......1916.......	1 480 000 000
1 540 000 000	.......1920.......	1 705 000 000
1 515 000 000	.......1921.......	1 785 000 000
Increase....11%	..1920 over 1916..	Increase....15%
Decrease....2%	..1921 " 1920..	Increase.....5%

THE TRACTION PROBLEM

Philadelphia's future depends largely upon proper development of adequate transit. City and company should co-operate to provide a satisfactory system, deriving every possible benefit from knowledge gained by experience in this and other cities.

INCREASED FARES

Philadelphia increased the fare from 5c to 7c cash—4 tickets for 25c November 1, 1920. In 1921 75,000,000 less passengers were carried; that is, 835,000,000 as against 910,000,000 in 1920.

The greatest loss of passengers has been in the best paying class—the short riders. Passengers using free transfers continue to ride, but their fares seldom pay the cost of the service.

Passengers carried in Philadelphia in 1920 increased 36% as compared with 1916. Brooklyn, the system nearest approximating Philadelphia in size and conditions, showed during this period increased riding of but 12%. Philadelphia, with increased fare, in 1921 carried 8% less passengers than in 1920. Brooklyn, with fare unchanged, showed increased riding of 8%.

New York and Chicago are likewise fairly comparable with each other. Chicago, with increased fare, in 1921 carried 2% less passengers than in 1920. New York, with fare unchanged, showed increased riding of 5%.

Boston, in 1921, with a 10c fare, carried 12% less passengers than in 1917 with a 5c fare.

New York and Brooklyn, with the basic 5c fare unchanged, show increased riding, but cannot meet expenses. Philadelphia, Chicago and Boston, with increased fares, show heavy loss in passengers carried, and have not increased their revenue sufficiently to justify the expectation that further increase in fares would be followed by a sufficient increase in revenue to pay interest on added investment required to perfect the service.

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910 000 000	........1920........	655 000 000
835 000 000	........1921........	920 000 000
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Philadelphians have been persuaded to the belief that much is to be expected from a decrease in the rentals paid by P. R. T. under lease to the underlying companies. To secure a proper perspective, one must understand that the city itself admitted, in the testimony of its director of city transit before the Public Service Commission of Pennsylvania in 1918, that 129 millions of capital was actually paid in. This sum should not be construed as being the full total of the investment made by underlying companies, as they are known to have enlarged property out of earnings, neither do their fixed capital accounts represent the various necessary structural overhead costs sanctioned by the commissions and courts. Furthermore, this sum shows no recognition of substantial sums paid by underlying companies to consolidate competing lines into a unified transit system.

The Public Service Commission, before whom valuation proceedings are now being conducted, cannot deal with the question of underlying rentals, but must, under the law, base its conclusion as to the rate of fare, upon the present value of the used and useful property.

Reducing the cost of providing transit, by decreasing the rentals or other form of return now being paid to underlying companies, has many advocates. Justice, however, prompts the recollection that original pioneers in early transit made no such profit from street railway investment as did those who invested in property abutting street railway lines.

City growth to present areas, and city's great advantage by increased taxable values, are both in large measure due to pioneers of street railway development, who successively scrapped horse cars, cable cars and the original 4-wheel trolley, in favor of improved method and larger cars. This ladder, upon which cities climbed to their present status, cannot in fairness be thrown down without a reasonable consideration of the equities involved.

P. R. T. in 1907-8 started its Market Street subway-elevated line, and in 1919 was over $5,000,000 short of having earned 6% upon the actual money invested, while the city advantaged by $113,000,000 abnormal increase in West Philadelphia taxable values alone. Owners of abutting property also secured great advantage from increased values, without contributing to the cost.

Philadelphia has appropriated to city transit construction, the following designated and ear-marked items:

Frankford Elevated		$15,000,000.00
Broad Street Subway	$28,000,000.00	
Delivery Loop	7,600,000.00	35,600,000.00
Byberry Surface Line		1,200,000.00
Darby Elevated		4,200,000.00
Parkway–Roxborough Subway–Elevated		7,500,000.00
Chestnut Street Subway		5,000,000.00
Real Estate and Sewers		2,700,000.00
Total Appropriation		$71,200,000.00

Expenditures to March 31, 1922, from loan and general funds, have been as follows:

Frankford Elevated		$9,102,745.29
Broad Street Subway	$3,641,225.86	
Delivery Loop	1,578,637.36	5,219,863.22
Byberry Surface Line		382,127.27
Sewer Relocation		489,013.71
Real Estate		491,459.61
Deficiency Items		336.55
Salaries, Office Expenses, etc.		1,142,594.57
Carrying Charges (Interest and Sinking Fund)		4,184,714.07
		$21,012,854.29
Contracts placed or pending		5,900,000.00
Total Expenditure		$26,912,854.29

This idle investment has already cost the taxpayers of Philadelphia over $4,000,000 in interest and sinking fund charges.

City investment in transit should not be increased without a definite plan for financing additional high speed lines, since none of those to which the city is now committed, can be made to earn interest on construction costs.

Greater New York demands more subways, but its present borrowing capacity does not permit of any material expenditure for added transit. Interest has been earned only upon the relatively small city investment of $59,000,000 in original subways, but on the $230,000,000 in new subways there is an accumulated deficit of $44,850,000. New York City taxpayers must bear the shortage, which for 1921 exceeded $9,500,000.

Boston, with $43,000,000 of public money invested in transit, for three years, showed a deficit of about $5,000,000.

Philadelphia should take advantage of that most important element left out of account in Boston and New York, and make the property owner pay, into the public treasury, some portion of his profits from rapid transit development, to help pay for its cost.

CITY PAVING

Cleveland, Ohio, by many considered the best example of service-at-cost plan, now requires abutting property to share the cost of surface street railway extensions. Cleveland has, for some years past, endeavored to relieve its street railways of paving costs and other taxes, in an effort to secure adequate service at minimum cost.

Costs of city paving and other forms of taxation should not be added to the cost of car rides under present conditions. City action is required to eliminate such items of expense, and also, by traffic regulation, to free street railway tracks from vehicular interference, and thus reduce delays and make possible the operation of additional cars, with a consequent larger percentage of seats supplied to number of passengers carried.

BENEFITED PROPERTY ASSESSMENTS

The City Club of New York, in a report based upon a survey of the aggregate rise in land values in Manhattan and the Bronx, found that the property owners benefited in the districts served could have paid the entire cost of the subway, $43,000,000, and still have had a profit on their increased land values of $37,500,000, created solely by the construction of the subway. City Club says: "In view of this fact. would it not be reasonable to require property benefited in outlying districts to pay for the cost of a rapid transit line built to serve it?"

The Federal Electric Railways Commission, in its report to the President, August 1920, said: "Your Commission would urge that in every community, where and to such extent as may be practicable, consideration be given to the advisability of requiring extensions and rapid transit systems of subway and elevated to be paid for, not out of new capital invested through the medium of bonds or stock, which means for all time an added burden upon the car rider, but from special taxes assessed against the owners of property in the district, the value of which is enhanced by such extensions."

Legislation defining city-built transit as a local improvement, the cost of which may be assessed upon property benefited thereby, was written into the rapid transit act of New York State by the amendment of 1909.

Pennsylvania's Commission on Constitutional Amendment and Revision adopted a provision by virtue of which all property benefited may be assessed to pay the cost of city-built transit. While the sanction to call the constitutional convention in Pennsylvania was denied by the electors at the 1921 primaries, there is an increasing sentiment that this principle of assessing cost on the property benefited should be written into the law, so that the municipality may build needed rapid transit lines, without over-burdening general tax budgets to make up deficiencies in transit carrying charges.

San Francisco has successfully applied this principle. The Twin Peaks Tunnel project, involving an expenditure of about $4,500,000, was undertaken for the purpose of providing rapid transit to the southwesterly corner of the city, comprising approximately 4,000 acres of desirable home sites, otherwise practically isolated from the business section of the city by the Twin Peaks range of hills. The Bureau of Engineering, City of San Francisco, in a report dated July, 1921, states that the money for this entire project was provided by assessment on the property benefited.

The Board of Local Improvements of the City of Chicago in 1921 recommended the construction of a system of subways. Michael J. Faherty, Chairman of the Board, said: "A subway in any district will result in the landlords boosting rents,

The tenant will have to pay the increased rents whether subways are built by special assessment or in other ways. My plan is to make the landlord pay part of his increased income towards subway construction." Mr. Faherty estimated that one-sixth of the additional income-producing power of benefited property would entirely pay for the subway.

One advantage of applying the principle of assessing property for benefits received, is that it acts as an automatic check to the demand for unwarranted extensions. If the land to be benefited is not able to stand the burden of any assessment, then it is evident that the development is premature.

MEN AND MANAGEMENT

Effective management is essential to satisfactory service. The law of Pennsylvania provides for reward of efficient management by authorizing participation in such resulting profits as shall be established before the Public Service Commission.

Men and management co-operating in Philadelphia, during the period 1911-1921, created added annual net income of $16,000,000, through patronage induced by developing the short riding habit, savings through increased production, elimination of waste and reduction in accident costs. During this period, rides per capita were doubled without increasing the number of men employed.

Co-operative accomplishment makes for good service. Commenting upon the then proposed contract with Pittsburgh Railways Company, Mayor Magee, formerly a public service commissioner, was quoted in Pittsburgh newspapers as saying:

"A clear cut provision should be added that will permit of a reward to the company for its efficiency, either due to decreased expenses or an increase in the riding habit of the public. * * * * I look upon such a clause as being the most important, perhaps, of any that could be inserted in the contract. The revolutionary changes by the management of the street railways of Philadelphia have brought advantages to the car riders, because of wise management, that are so surprising as to be almost unbelievable."

Such a provision was embodied in the Pittsburgh contract, which is now in force.

CONCLUSIONS

Higher fares discourage increased riding and interfere with the extension of home building areas, thus nullifying the main justification for use of municipal funds in aid of added transit.

Inability to collect sufficient revenue in fares to meet costs of operation, and in addition pay the interest on city investment, makes necessary the use of some other means to avoid overburdening city credit.

There being no inducement for further investment of private capital, municipal funds, or those secured through assessment of benefited property, must be depended upon for future transit development.

Subway and elevated lines relieve surface street congestion to advantage of general vehicular and pedestrian traffic. This, with increased values of public or other property, not subject to special assessment for added transit, would justify general taxes bearing a share of the costs of rapid transit development.

Failure to assess some portion of the costs of added transit upon property owners who are specially benefited, exhausts the city's borrowing capacity, and thus prevents property owners from getting other improvements to which they may be properly entitled.

Liberal treatment of earlier investment is justified because of the risks taken by original pioneers in developing transit; but a continuation of the present plan of building subways benefiting private property, which takes no risk whatever, is without any such justification.

A commission of public spirited citizens, representing the real estate and commercial interests, could, in co-operation with the city and the company, together best plan for added transit.

THE ULTIMATE ANSWER

City ownership of all subways, elevateds, and surface tracks.

Cost of added transit to be properly apportioned as between general taxation and assessment of benefited property.

Company to supply cars, power and movable equipment, and operate under lease, revocable by city, with assured protection of company's investment and a reasonable return thereon.

Company operation, with co-operative accomplishment rewarded by added compensation to men and management.

THE ULTIMATE ANSWER

CITY OWNERSHIP OF ALL SUBWAYS, ELEVATEDS, AND SURFACE TRACKS.

COST OF ADDED TRANSIT TO BE PROPERLY APPORTIONED AS BETWEEN GENERAL TAXATION AND ASSESSMENT OF BENEFITED PROPERTY.

COMPANY TO SUPPLY CARS, POWER AND MOVABLE EQUIPMENT, AND OPERATE UNDER LEASE, REVOCABLE BY CITY, WITH ASSURED PROTECTION OF COMPANY'S INVESTMENT AND A REASONABLE RETURN THEREON.

COMPANY OPERATION, WITH CO-OPERATIVE ACCOMPLISHMENT REWARDED BY ADDED COMPENSATION TO MEN AND MANAGEMENT.

A TALE OF THREE CITIES

SHOWING HOW PHILADELPHIA, 1910-1920, UNDER MITTEN MANAGEMENT, COMPARED, IN RESULTS OF OPERATION AND AVERAGE RATE OF FARE, WITH BROOKLYN AND PITTSBURGH DURING THE SAME PERIOD

COMPARATIVE STATISTICS 1910	PHILADELPHIA	BROOKLYN	PITTSBURGH
Gross Operating Revenue	$18,839,413	20,906,930	10,250,937
Operating Expenses	10,156,013	11,726,392	6,092,028
Net Operating Revenue	8,683,400	9,180,538	4,158,909
Taxes	1,582,336	1,454,213	427,128
Operating Income	**7,101,064**	**7,726,325**	**3,731,781**
Population	1,549,008	1,634,351	942,108
Total Rides per Capita	288	348	247
Average Fare—Total Passengers	**4.13c**	**3.60c**	**4.32c**
COMPARATIVE STATISTICS 1920	**PHILADELPHIA**	**BROOKLYN**	**PITTSBURGH**
Gross Operating Revenue	$38,807,354	41,414,352	21,322,503
Operating Expenses	26,593,913	34,666,132	18,318,386
Net Operating Revenue	12,213,441	6,748,220	3,004,117
Taxes	2,601,253	2,201,653	662,222
Operating Income	**9,612,188**	**4,546,567**	**2,341,895**
Population	1,823,779	2,018,356	1,094,809
Total Rides per Capita	501	447	293
Average Fare—Total Passengers	**4.15c**	**4.39c**	**6.48c**

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